

Part of
Education and childcare during coronavirus



Guidance
Use of free early education entitlements funding during coronavirus (COVID-19)

Updated 20 July 2020

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Changes since the last update include:

- updates to set out the government's plans for funding local authorities and providers in the 2020 autumn term. [Read section 1](#)
- the previously published guidance on early years funding is still valid until the beginning of the autumn term. [Read section 2](#)
- [section 2](#), which is the original guidance, has been updated to clarify that it refers to the period from the beginning of the coronavirus (COVID-19) outbreak until the start of the autumn term. Further, the following paragraphs have been removed from section 2 to avoid duplication with other, more up to date guidance:
 - paragraph on the Coronavirus Job Retention Scheme (CJRS) – the latest information regarding the CJRS is available in the [financial support for education, early years and children's social care guidance](#)
 - paragraph on the temporary change to eligibility criteria for the 2-year-old entitlement to include no recourse to public funds (NRPF) families in receipt of support under Section 17 of the Children Act (1989), as this change has now become permanent

Section 1: funding for local authorities and early years providers in the autumn term 2020

Funding from the Department for Education (DfE) to local authorities in the autumn term 2020

The normal process for determining funding allocations for local authorities for the early years entitlements is to take an annual census count of the number of hours taken up by children in each local authority in January. This is the mid-point of the academic year and so balances the relatively lower numbers eligible for the free entitlements in the autumn term and the higher numbers in the summer term. This means that local authorities would in normal circumstances be paid for the autumn term 2020 based on the January 2021 census data.

We recognise that the number of children attending childcare may not have returned to normal levels by early January, when we take the January 2021 census. In light of the coronavirus (COVID-19) outbreak, the final funding allocation to local authorities for the 2020 autumn term will therefore exceptionally be based on their January 2020 census count.

Funding from local authorities to early years providers in the autumn term 2020

From the start of the autumn term 2020, local authorities should continue to fund providers which are open at the levels they would have expected to see in the 2020 autumn term had there been no coronavirus (COVID-19) outbreak. They should also continue to fund providers which have been advised to close, or left with no option but to close, due to public health reasons. Local authorities should not fund providers which are closed, without public health reason, from the start of the autumn term.

The intention is to fund on the basis of 'as if autumn term 2020 were happening normally'. In order to do this, local authorities might, for example, use the numbers of children in places in the previous autumn to inform funding levels this autumn. This means that if a local authority is aware of particular changes in catchment demographics that would have impacted local demand (for example, a big increase in family housing in an area), they should take that into account. Local authorities should be transparent in the approach they take.

When to use funding flexibility in the autumn term 2020

Until the start of the autumn term 2020, our guidance to local authorities continues to be that, in exceptional circumstances and as a last resort, they may choose to redirect early years dedicated schools grant (DSG) funding from providers that are closed in order to ensure provision of childcare for vulnerable children and children of critical workers - [read section 2](#).

In the autumn term 2020, we expect the demand for childcare to increase. It will become increasingly important for local authorities to ensure that there is enough childcare and delivery of the early years entitlements for all children, not just vulnerable children and children of critical workers. Our advice on how local authorities should use their existing powers in regulation 16 of the School and Early Years Finance (England) Regulations 2020 to distribute early years DSG funding will therefore change for the autumn term 2020.

Local authorities are best placed to monitor and manage their local childcare market and have responsibility for ensuring sufficient childcare places. The general funding principle remains that local authorities should aim to fund providers which are open and offering the entitlements as far as providers are able and providers that are closed due to public health reasons at broadly the same level they would have expected to if coronavirus (COVID-19) had not happened.

Local authorities should not fund providers which are closed, without public health reason, from the start of the autumn term.

Local authorities may need to use some early years DSG funding which has not been spent on providers which are closed for non-public health reasons to address local sufficiency gaps. DSG entitlements funding is provided with the intention that it is used to fund early years provision. Any entitlements funding should remain within early years expenditure.

We encourage all providers to open to deliver childcare places for all children who need it, and to deliver entitlements places, unless they have been advised to close, or left with no option but to close, due to public health reasons.

You can find more guidance on responding to coronavirus (COVID-19) within settings in [Early years and childcare: coronavirus \(COVID-19\)](#).

Local authorities should consider whether their scheduling of payments to providers offers enough flexibility, should any changes in funding through the term become necessary. For example, a provider which was closed might reopen to offer their usual free entitlements, or government guidance on children not attending multiple settings where possible might create unavoidable 'double-funding' costs. Local authorities might then, for example, increase the frequency of payments to providers from termly to monthly, or reduce the proportion of funding issued to providers at the start of term while ensuring that providers receive appropriate funding to manage their cashflow.

As demand for childcare increases and settings re-open, we expect that providers who furloughed staff will be removing some or all of their staff from the Coronavirus Job Retention Scheme (CJRS). The CJRS will close at the end of October. More information about the CJRS and the interaction with early years DSG funding is in [financial support for education, early years and children's social care during the coronavirus \(COVID-19\) outbreak](#).

Planning for 2021 spring term

We expect to return to the normal early years funding process and use the January 2021 census count to drive funding allocations for the 2021 spring term.

We also expect local authorities' funding to providers to return to the normal approach (that is, 'funding following the child') for all providers from 1 January 2021.

However, we will keep this under review and confirm the approach in further guidance in the autumn.

Provisional early years funding allocation: July 2020 routine update

The initial early years funding allocation for the financial year 2020 to 2021 will be updated to provisional allocations in July 2020 using the January 2020 census as normal.

Section 2: funding for local authorities and early years providers in the summer term 2020

This guidance was published on 28 April 2020. It has been updated to clarify that it covers the period from the start of the coronavirus (COVID-19) outbreak until the start of the autumn term. There have also been some drafting changes to reflect the fact that, from 1 June, early years settings have been able to open to all children.

The following paragraphs have been removed to avoid duplication with other, more up to date guidance:

- paragraph on the Coronavirus Job Retention Scheme (CJRS) – the latest information regarding the CJRS is available in the [financial support for education, early years and children's social care guidance](#).
- paragraph on the temporary change to eligibility criteria for the 2-year-old entitlement to include no recourse to public funds (NRPF) families in receipt of support under Section 17 of the Children Act (1989), as this change has now become permanent

Our priority for the early years sector during the coronavirus (COVID-19) outbreak has been first and foremost to ensure sufficient childcare for vulnerable children and children of critical workers. Many local authorities are successfully ensuring enough open childcare in their local areas through their market knowledge and positive relationships with providers. However, ensuring that provision is available for children who need it will not always be straightforward. This guidance for local authorities and early years providers sets out the priorities for local authorities to consider in using their Dedicated School Grant (DSG) funding to provide free early education entitlement childcare places for eligible children during the summer term.

See [actions for early years and childcare providers during the coronavirus \(COVID-19\) outbreak](#) for more information about the business support available to early years settings to support them to continue offering provision.

Securing sufficient childcare places in the summer term 2020

Local authorities are best placed to monitor and manage their local childcare market and have responsibility for ensuring sufficient childcare places. Local authorities should initially aim to secure the required childcare places by using places that are already funded through early years DSG. This may possibly include moving children between providers where one provider has closed, and another has empty DSG-funded places. That will be possible in many cases without additional cost to the local authority.

Local authorities may also wish to assess the capacity of childminders to support critical workers, to increase the number and flexibility of childcare places available for critical worker parents who may work atypical hours.

In some cases, ensuring sufficient places during the summer term may incur additional costs if the providers that remain open cannot do so in a financially sustainable way. Local authorities should consider early years DSG block contingency budgets, if they have them, or uncommitted central spend in the early years budget (that is, funds not passed onto providers in the '95% pass-through rule') first in order to meet costs like these during the rest of this term.

Only in exceptional circumstances, when these options have been exhausted, should local authorities consider using their flexibility to redistribute funding for the free early education entitlements in a clearly focused and targeted way from providers that have closed to those who are open and caring for eligible children.

When to use the funding flexibility in the summer term 2020

If a local authority needs to use the early years DSG flexibly in order to fund sufficient places for vulnerable children and children of critical workers, they should redetermine the amounts allocated to early years settings that have closed in order to redistribute necessary funding to settings which are open and providing places for these children. We consider that local authorities can use their existing powers in regulation 16 of the [School and Early Years Finance \(England\) Regulations 2020](#) to redetermine the amounts allocated to early years providers to do this.

If a local authority has exhausted other options and deems it necessary to use this ability, they should make sure to engage their early years providers sensibly when doing so. We expect this to be a time-limited response, kept under regular review by the local authority.

Local authorities should only remove early years DSG funding from early years settings that are closed during the coronavirus (COVID-19) outbreak.

Local authorities should consider very carefully the impact of removal on the longer-term sustainability of that setting and the local childcare market. They should consider whether any reduction in early years DSG would put at risk the ability of the setting to meet ongoing operational costs even whilst closed, such as paying rent, and consider what impact the amount of DSG being removed would have on the number of staff the setting might need to furlough under the Coronavirus Job Retention Scheme (CJRS).

Settings where early years DSG funding is removed may need to increase the proportion of their salary bill eligible for the CJRS. Similarly, any providers receiving increased early years DSG to provide additional childcare for children of critical workers should reduce the proportion of their salary bill that is eligible for CJRS accordingly. More information about the CJRS and the interaction with early years DSG funding, is in [financial support for education, early years and children's social care during the coronavirus outbreak](#).

Local authorities will need to consider and consult with providers on which settings are best able to manage such changes in funding. They should, wherever possible, give providers appropriate notice of their intention to remove early years DSG funding in order to allow settings to adapt their business planning accordingly.

Eligibility

During the summer term, local authorities should only redistribute early years DSG funding if absolutely necessary to fund provision for vulnerable children and children of critical workers who are eligible for free early education and care under one of the free early education entitlements. This is intended to ensure that those families are able to continue accessing their entitlement to free childcare during the coronavirus (COVID-19) outbreak.

The free early years entitlements are:

- the 2-year-old entitlement (up to 15 hours per week)
- the universal entitlement for 3- and 4-year-olds (up to 15 hours per week)
- the extended entitlement for 3- and 4-year-olds of eligible working parents (up to 30 hours per week)

Things for local authorities to consider in the summer term 2020

When considering redistributing early years DSG funding from a closed setting to an open one, local authorities need to take into account:

- the current sufficiency of childcare for children of critical workers and vulnerable children
- the current financial security of a setting

If there is sufficient childcare then a local authority does not need to shift early years DSG funding but may consider it necessary if there are insufficient places and moving funding would help resolve the issue. If a local authority removes early years DSG from a setting which equates at least in value to the salary of a staff member, that setting will be able to consider furloughing that staff member and accessing additional support from the Coronavirus Job Retention Scheme, provided the conditions set out in the guidance on [financial support for education, early years and children's social care](#) are met. The relationship between the amount of early years DSG and a staff member's eligibility to be furloughed will depend on an individual provider's circumstances. The local authority should be confident the setting has the financial security to withstand lower DSG income during the coronavirus (COVID-19) outbreak.

Support is available to local authorities to help with sufficiency planning and managing their local markets efficiently at this time. This resource can be commissioned through the ESFA, is free and may include drawing on the financial management expertise of school resource management advisors, where appropriate. Local authorities should email DfE_CoronavirusHelpline@education.gov.uk to commission the most relevant support according to local need.

Reopening childcare settings under the Coronavirus Act 2020

Wherever possible, local authorities and providers should work in partnership to secure sufficient childcare places for vulnerable children and children of critical workers.

The government's financial support package for providers and the flexibility local authorities have to redistribute early years DSG if absolutely necessary during the coronavirus (COVID-19) outbreak should, in most cases, enable this. However, we recognise that there may be occasions when all other options have been explored and there remain too few places locally for children who need them.

In such exceptional cases, the Coronavirus Act 2020 created a number of powers available to the Secretary of State for Education (or a local authority if authorised to do so), including the power to direct registered childcare providers to close, and the power to direct them to alter how they operate (for example, to open for longer, stay open or re-open).

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